

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-333-S - ORDER NO. 97-718
AUGUST 19, 1997

IN RE: Application of Guerin Creek Wastewater)
 Utility, Inc. for an Establishment of)
 Sewer Rates and Charges.)
)
)

ORDER
ESTABLISHING
SERVICE AREA AND
APPROVING RATES
AND CHARGES

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of Guerin Creek Wastewater Utility, Inc. (Guerin Creek or the Company) for the establishment of a service area and for the establishment of rates and charges for sewerage service provided to its customers in Charleston County, South Carolina. The Application was filed pursuant to S.C. Code Ann. Section 58-5-10 (1976) et seq., as amended, and 26 S.C. Code Ann. Regs. 103-500 (1976) et seq.

With the filing of the Application, Guerin Creek also filed various Notices of and Waiver of Public Hearing for the Establishment of the Public Utilities signed by the fourteen (14) residents of the Guerin Creek subdivision. In the waiver, each resident acknowledged receiving a Notice of the proposed formation of the wastewater utility company, and the identity of the owner and amount of the proposed rate. Each owner waived any requirement of a hearing on the formation of the Utility by this Commission, with the understanding that the Commission shall

monitor, supervise and regulate the rates and service of the wastewater utility. The residents also agreed that the rate structure as contained in the Application was fair and reasonable. Further, the residents agreed that the formation of the wastewater utility was in the interest of the affected citizens in the Guerin Creek area, and, further, that should there be any objection to the formation of the Utility, then the residents would have the right to petition the Commission within ten (10) days from the date of receipt of the Order approving the formation of the Utility, at which time the Commission would set the matter for formal hearing. The residents further acknowledged their right to legal counsel prior to the execution of the documents.

Because of the signed waivers of all residents, the Commission hereby waives the usual notice requirements, and, also, hearing requirements found in Regulation 103-504 pursuant to Regulation 103-501.3. We do, however, adopt the rights given to the citizens in the signed waivers.

The Application showed that the Guerin Creek wastewater project was undertaken as a result of litigation brought against the South Carolina Department of Health and Environmental Control (DHEC). As a means of resolving the litigation, an entity known as the Guerin Creek Wastewater Utility was created to operate and maintain an off-site wastewater disposal system which will serve various lots in the Guerin Creek subdivision. The drain field for the system will be constructed on a parcel of land owned currently by the International Paper Company, which has agreed to convey the

land and a closing is pending.

We note that DHEC cannot issue a construction permit until the title is in the name of the Utility. According to DHEC, DHEC will issue a construction permit for the system as soon as the closing on International Paper Company's transfer of the parcel of land takes place. The Company has proposed a rate of \$15 per month for sewerage service in the Guerin Creek Subdivision.

FINDINGS OF FACT

1. The Company is a public utility which will operate in the State of South Carolina and is subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. Section 58-5-10 et seq. (1976), as amended.

2. The Company will provide sewerage service to fourteen (14) customers in the Guerin Creek Subdivision in Charleston County, South Carolina, and such further customers as may purchase lots in the subdivision.

3. The present case is an establishment case, as the Company has not had rates and charges previously established by this Commission. By way of its Application, the Company requests a monthly flat rate of \$15.

4. An examination of the proposed rate shows that all the citizens have consented to the fairness of the rate, and therefore, we find that the rate is just and reasonable.

5. The Commission finds that an appropriate operating margin of 42.3% is reasonable in light of the income and expenses of the Company.

6. The rate schedule approved by the Commission herein and depicted in Appendix A attached herein and incorporated by reference is appropriate and should be adopted.

CONCLUSIONS OF LAW

1. Pursuant to S.C. Code Ann. Section 58-5-10(2) and 58-5-10(3) (Supp. 1996), the Company is a public utility as it is a person which will furnish sewerage service to the public for compensation, and, as such, is subject to the regulatory authority of the Commission to supervise and regulate rates and services of the public utilities of this State. The Commission exercises general supervisory and regulatory jurisdiction over public utilities such as the company herein, in respect to approval of service area and establishment of rates and charges pursuant to S.C. Code Ann. Section 58-5-210 (Supp. 1996).

2. The Application of the Company shows that it is intended to serve fourteen (14) customers on a sewerage system and other customers who buy lots in the Subdivision. The Commission finds and concludes that there is a need for a sewerage system in this area of Charleston County where the Company seeks approval of its service area.

3. By its Application, the Company requests the establishment of rates. The fact that this proceeding is an establishment case or that the rate requested by the Company is \$15 per month for customers is not in dispute.

4. No South Carolina statute prescribes a particular method to be utilized by the Commission to determine the lawfulness of

rates of a public utility furnishing wastewater. For ratemaking purposes, this Commission examines the relationships between expenses and revenues.

The Commission may decide to use the operating ratio and/or operating margin as guides in determining just and reasonable rates for a sewer utility, instead of examining a utility's return on its rate base. The operating ratio is a percentage obtained by dividing total operating expenses by operating revenues. The obverse side of this calculation, the operating margin, is determined by dividing net operating income for return by the total operating revenues of the utility.

The Commission finds and concludes that its use of the operating margin has resulted in fair rates to both utilities and ratepayers. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E.2d 257 (1984). The Commission therefore will continue to use the operating margin as a guide in determining the lawfulness of the Company's proposed rates and the fixing of just and reasonable rates in this proceeding.

The Commission has considered the proposed rate presented by the Company in light of the various standards to be observed and the interests presented before the Commission. The Commission must balance the interests of the Company with the competing interests of the ratepayers. In balancing these competing interests, the Commission has determined that the Company's proposed rate is just and reasonable.

Based upon the competing interests which the Commission must balance and the record in the instant proceeding, the Commission concludes that a fair operating margin that the Company should have an opportunity to earn is 42.3%, which requires annual operating revenues of \$2,520. The following Table reflects an operating margin of 42.3%.

TABLE A

OPERATING MARGIN

Operating Revenues	\$2520
Operating Expenses	1454
Net Operating Income	<u>1066</u>
Customer Growth	0
Total Income for Return	<u>1066</u>
Operating Margin	<u>42.3%</u>

In order to earn a 42.3% operating margin, the Company may charge \$15 per month per customer. This rate structure appears in Appendix A which is attached hereto and incorporated herein by reference.

IT IS THEREFORE ORDERED THAT:

1. The Company is granted a Certificate of Public Convenience and Necessity to operate a sewerage utility in Charleston County, South Carolina in the Guerin Creek Subdivision.
2. The proposed rate schedule is set forth and the Application is found to be just and reasonable, and is hereby granted.
3. The schedule of rates and charges as set forth in Appendix A is approved and may be charged for service rendered on

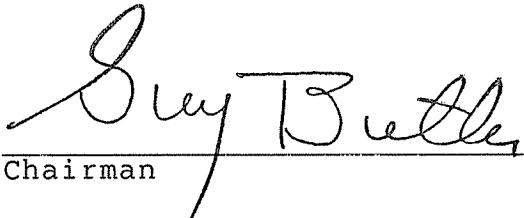
or after the date of this Order. The schedule of rates and charges is deemed to be filed with the Commission.

4. The Company shall maintain its books and records for its sewage operations in accordance with the NARUC System for Accounts for sewerage utilities as adopted by this Commission.

5. The granting of this Certificate shall be contingent on the Company receiving and filing with us its permit to operate from the South Carolina Department of Health and Environmental Control.

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)

APPENDIX A

GUERIN CREEK WASTEWATER UTILITY, INC
1111 CHUCK DAWLEY BLVD.
MT. PLEASANT, SC 29464
(803) 884-4952

FILED PURSUANT TO:

DOCKET NO. 97-333-S

ORDER NO. 97-718

EFFECTIVE DATE: AUGUST 19, 1997

SEWER SERVICE

MONTHLY SERVICE CHARGE - FLAT RATE-----\$15.00